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South Carolina  
Division of General Services

# PROCUREMENT AUDIT AND CERTIFICATION

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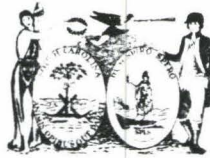
MEDICAL UNIVERSITY OF SOUTH CAROLINA  
AGENCY

JULY 1, 1991 - MARCH 31, 1993

DATE



STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



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MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600

September 7, 1993

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Rick:

I have attached the Medical University of South Carolina's procurement audit report and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the University a three (3) year certification as noted in the audit report.

Sincerely,

Hardy Merritt, Ph.D.  
Materials Management Officer

HM/jj

Attachment

MEDICAL UNIVERSITY OF SOUTH CAROLINA

PROCUREMENT AUDIT REPORT

JULY 1, 1991 - MARCH 31, 1993

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EXECUTIVE DIRECTOR

September 7, 1993

Hardy Merritt, Ph.D.  
Materials Management Officer  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Hardy:

We have examined the procurement policies and procedures of the Medical University of South Carolina for the period July 1, 1991 through March 31, 1993. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Medical University of South Carolina is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling

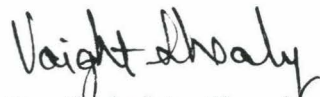
this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Medical University of South Carolina in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, CFE, Manager  
Audit and Certification



## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating policies and procedures of the Medical University of South Carolina. Our on-site review was conducted April 19 - June 3, 1993 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally our work was directed toward assisting the University in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

## BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated

Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

Most recently, on September 24, 1991, the Board granted the Medical University of South Carolina procurement certification as follows:

<u>Procurement Area/Commodity Class</u>	<u>Amount Per Commitment/Contract</u>
Chemical/Reagents, Injectables, Prescription Drugs, Intravenous Solutions and Sets and all other Commodities Defined in the Materials Management Office (MMO) Commodity Code Manual under #115-Biochemical Research and #270-Drugs, Pharmaceuticals, Biologicals-Human Use, Initially Approved by MUSC's Products Evaluation Committee	\$6,000,000 per commitment
Medical Supply Items and all other commodities in the MMO Commodity Code Manual under #475-Hospital Sundries, including Linens, Gas Cylinders and Liquid Oxygen for Patient Use, Initially Approved by MUSC's Products Evaluation Committee	\$3,000,000 per commitment
Hospital, Laboratory and Research Equipment	\$ 100,000 per commitment
All other Goods and Services	\$ 25,000 per commitment



Consultants	\$ 10,000 per commitment
Construction Services	\$ 25,000 per commitment

The audit was performed primarily to determine if recertification is warranted. Additionally, during the audit the Medical University of South Carolina requested the following increases in certification:

<u>Procurement Area/Commodity Class</u>	<u>Amount Per Commitment/Contract</u>
Chemical/Reagents, Injectables, Prescription Drugs, Intravenous Solutions and Sets and all other Commodities Defined in the Materials Management Office (MMO) Commodity Code Manual under #115-Biochemical Research and #270-Drugs, Pharmaceuticals, Biologicals-Human Use, Initially Approved by MUSC's Products Evaluation Committee	\$6,000,000 per commitment
Medical Supply Items and all other commodities in the MMO Commodity Code Manual under #475-Hospital Sundries, including Linens, Gas Cylinders and Liquid Oxygen for Patient Use, Initially Approved by MUSC's Products Evaluation Committee	\$3,000,000 per commitment
Hospital, Laboratory and Research Equipment	\$ 100,000 per commitment
All other Goods and Services	\$ 50,000 per commitment
Consultants	\$ 25,000 per commitment
Construction Services	\$ 100,000 per commitment
Information Technology (excluding printing)	\$ 50,000 per commitment
Printing	\$ 100,000 per commitment

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Medical University of South Carolina and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected random samples of procurement transactions for the period July 1, 1991 - March 31, 1993, for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, our review of the system included, but was not limited to, the following areas:

- (1) All sole source and emergency procurements and trade-in sales for the audit period
- (2) Purchase transactions for the audit period as follows:
  - a) 200 systematically selected procurement transactions each exceeding \$500.00
  - b) A random sample of 1,050 departmental orders, each less than \$500, for compliance with internal procurement procedures
  - c) An additional 25 sealed bids issued and awarded from the audit period
- (3)
  - a) 22 permanent improvement projects out of which 13 architect-engineer selections and 24 contracts were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
  - b) 15 non-permanent improvement projects out of which 1 architect-engineer selection and 14 contracts were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements



- c) All 52 change orders to a permanent improvement project
  - d) A block sample of 135 procurements made by the Physical Plant Purchasing Office during the period 7/1/92 - 5/31/92
- (4) All real property leases
  - (5) The most recent solicitation for vending services
  - (6) Minority Enterprise Plans and reports
  - (7) Information Technology plans
  - (8) Procurement Policies and Procedures Manual
  - (9) Procurement staff and training

## SUMMARY OF AUDIT FINDINGS

Our audit of the Medical University of South Carolina, hereinafter referred to as MUSC, produced findings and recommendations in the following areas:

	<u>PAGE</u>
I. <u>Compliance - Procurements</u>	
A. <u>Insufficient Number of Quotations or Bids Solicited</u>	11
Three procurements did not meet the minimum competition requirements.	
B. <u>Office Panel System Improperly Procured</u>	11
Office panels were referenced to a state contract incorrectly.	
C. <u>Procurements Inappropriately Determined Exempt</u>	12
Three procurements which were subject to the Code were classified as exempt.	
II. <u>Unauthorized Procurements</u>	13
Seven procurements were unauthorized and must be ratified.	



III. Compliance - Sole Source and Emergency  
Procurements and Trade-in Sales

A. Inappropriate Sole Source 15

A consultant was hired inappropriately  
as a sole source.

B. Inappropriate Emergency 16

Debt collection services should have  
been competitively bid.

C. Untimely Reporting of Emergency Change  
Orders 16

MUSC failed to report change orders to  
the State Engineer within 10 days.

IV. Compliance - Construction Services 17

For one project, MUSC proceeded with change  
orders totalling \$4,899,822 before approval  
by the State Engineer. On another project,  
MUSC proceeded with change orders totalling  
\$417,298. Additionally, 4 out of 135 pro-  
curements made by the Physical Plant Purch-  
asing Office were not supported by the  
required evidence of competition.

V. Compliance - General

A. Multi-Term Determinations Not Prepared

20

A multi-term determination was not prepared in one case.

B. Bid Not Awarded As Specified

21

One sealed bid was not awarded as outlined in the Special Provisions section of the invitations for bids.



## RESULTS OF EXAMINATION

### I. Compliance - Procurements

#### A. Insufficient Number of Quotations or Bids Solicited

The Purchasing Department failed to solicit or document the required competition on the following three procurements.

<u>PO#</u>	<u>Amount</u>	<u>Required Solicitations</u>	<u>Actual Solicitations</u>
1. MF920222	\$ 1,552.00	3 written quotes	3 phone quotes
2. BF933325	1,990.75	3 written quotes	2 phone quotes
3. FA874750	51,833.58	10 sealed bids	8 sealed bids

Regulation 19-445.2035A states in part, "If the minimum number of qualified bidders... cannot be solicited... the head of the governmental body shall certify in writing that all known sources were solicited." (Emphasis Added)

The Purchasing Department should ensure that the minimum competition requirements of the Code are adhered to.

### UNIVERSITY RESPONSE

The Purchasing Department will ensure the minimum competition requirements of the Code are adhered to. This matter, again, will be discussed with all procurement officers responsible for purchasing at the Medical University.

---

#### B. Office Panel System Improperly Procured

On purchase order number 870345 for office panels \$2,203.85 worth of panels were inadvertently referenced as being covered under state contract #C100262001.

Although, there was an office furniture state contract for similar items, these panels were not on this contract.

In the future, the buyer should check the contract book more closely or consult with the Materials Management Office (MMO) if the contract status is unclear.

#### UNIVERSITY RESPONSE

The procurement officer for this purchase, has been counseled regarding this improper procurement. The procurement officer will now check the contract book to verify materials on contract.

---

#### C. Procurements Inappropriately Determined Exempt

MUSC inappropriately classified three procurements as exempt from the Procurement Code. They were as follows:

<u>PO#</u>	<u>Description</u>	<u>Amount</u>
1. BF923260	Research interviews (alcoholics with social phobia)	\$14,100.00
2. PO889724	Honoraria for administrative trainer	\$ 3,000.00
3. PO508435	Technical representative workshop	\$ 2,000.00

On item 1, research interviews in accordance with grant specifications on "alcoholics with social phobias" were conducted by a Ph.D. MUSC inappropriately classified this person as a medical doctor and used the state exemption for such. Ph.D's are not exempt from the Code.

MUSC classified items 2 and 3 as exempt under "instructional training seminars". However, these two items do not fit into this category as these "exempt" training seminars must be offered by governmental bodies to state employees on a registration fee basis.



We recommend that MUSC apply the exemptions in a more prudent manner. Those items not exempt from the Procurement Code must be procured in accordance with it.

#### UNIVERSITY RESPONSE

The proper use of exemptions will be discussed with all of the procurement officers. It will be reiterated to all procurement officers adherence to the Procurement Code must be followed for all procurements not exempt. All procurements determined exempt will now require the next level of supervision to verify the purchase is exempt and sign the purchase order.

#### II. Unauthorized Procurements

The following items/services were purchased without prior approval from the Purchasing Department.

<u>Invoice/ Service Date</u>	<u>Purchase Order Date</u>	<u>Purchase Order Number</u>	<u>Amount</u>	<u>Description</u>
1. 04/26/91	05/28/91	PO882048	\$ 1,108.42	Smocks & aprons
2. 06/25/92	06/25/91	PO889724	3,000.00	Administrative Trainer
3. 06/27/91	07/16/91	PO888218	1,169.80	Publishing article
4. 12/03/92	01/06/93	PO508724	2,126.54	Production of public service announcement
5. 07/01/90- 06/30/91	10/25/90	LF910277	10,470.00	Copier lease
6. 11/92	12/09/92	PO508623	1,100.00	Clinical interviewer
7. 10/02/91- 11/21/91	09/07/90	M0910164 thru M0910173	133,731.28	Intravenous solutions

On items 1 through 6, the services were rendered prior to a purchase order being issued. Item 7 is a blanket order which covered the period from September 16, 1990 through September 15, 1991.

Regulation 19-445.2015 defines an unauthorized procurement as "...an act obligating the state in a contract by any person without the requisite authority to do so by appointment or delegation under the Procurement Code..."

Since MUSC's internal procedures manual places procurement authority in the Purchasing Department and these purchases were made without their knowledge, these transactions were unauthorized.

Accordingly, we recommend that MUSC request ratification in accordance with Regulation 19-445.2015 for each of the above items.

#### UNIVERSITY RESPONSE

Ratification has been requested in accordance with regulation 19.445-2015 for those items/services purchased without prior approval from the Purchasing Department. Copies of the requests are attached for your records.

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#### III. Compliance - Sole Source and Emergency Procurements and Trade-in Sales

We tested all sole source, emergency and trade-in procurements for the audit period. However, physician's preference and the highly technical medical requirements for many of the purchases were not questioned because of the limited medical expertise available to this office.

During the audit period, we performed an interim review of sole source, emergency and trade-in procurements April 6-9, 1992 and reported our results to MUSC at that time. See Attachment 1 for our interim report and Attachment 2 for MUSC's response.



A. Inappropriate Sole Source

A consultant was hired on purchase order BI933011 for \$13,500.00. The sole source justification stated that this consultant was approved in a grant. However, the contract was dated September 16, 1991 and grant approval for this consultant was not received until April 21, 1992. Additionally, this consultant was a replacement chosen by MUSC for a consultant already named in the grant.

Section 11-35-1560 requires that the chief procurement officer, head of a purchasing agency or designee of either officer, above the level of the procurement officer, determines in writing that there is only one source for the required supply, service or construction item.

Since this consultant was a replacement of a person named in the grant and the contract was dated prior to grantor approval of the change, this sole source was inappropriate.

We recommend that MUSC discontinue applying sole source in situations where more than one person was available to perform the service.

UNIVERSITY RESPONSE

The Medical University will follow the recommendation to discontinue applying sole source methodology in situations where more than one vendor is available to perform a service.

During this audit period, the Medical University processed 9,487 sole source purchases which were all examined; only two were found to be inappropriate sole source purchases.

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#### B. Inappropriate Emergency

A contract for debt collection services was cancelled in July, 1992. MUSC entered into an emergency contract on BA933014 for August 1, 1992 through January 3, 1993 until a new contract could be awarded. On January 26, 1993 another purchase order was issued to extend this contract until June 30, 1993. As of the end of May, 1993, the new solicitation was still in draft form and has not been issued.

Regulation 19-445.2110 states that emergency procurements shall be limited to those supplies, services or construction items necessary to meet the emergency.

Since MUSC has had 10 months to complete a solicitation and since it appears that another extension of the emergency will be necessary, we believe the continuing emergency is inappropriate.

We recommend that MUSC complete this solicitation and issue it as soon as possible.

#### UNIVERSITY RESPONSE

A request for proposal has been issued for this service to be provided.

---

#### C. Untimely Reporting of Emergency Change Orders

MUSC did not submit the following change orders to emergency contracts to the Office of the State Engineer in a timely manner.

<u>PO#</u>	<u>Change Order#</u>	<u>Amount</u>	<u>1st Sign.</u>	<u>2nd Sign.</u>	<u>State Engineer Sign.</u>	<u>Description</u>
PP879160	1	\$ 24,080.00	10/22/92	12/03/92	12/16/92	Additional asbestos removal
PP879060	2	164,976.00	10/22/92	12/03/92	12/16/92	Replace roof
PP879060	3	31,818.00	11/10/92	12/03/92	12/16/92	Furnish compressor

Paragraph 1.11.F of the Manual for Planning and Execution of State Permanent Improvements Part II requires that all emergency construction contracts shall be submitted to the Office of the State Engineer on Form SE-560 within 10 days.

Since MUSC held the change orders 41 days for items 1 and 2 above and 23 days for item 3, they did not meet the time requirement.

We recommend that MUSC submit emergency change orders in a timely manner and institute procedures which would reduce the amount of internal approval time.

#### UNIVERSITY RESPONSE

The Medical University will submit emergency change orders in a timely manner to protect the interest of the State. MUSC is in the process of reviewing procedures which should reduce the amount of internal approval time.

#### IV. Compliance - Construction

##### A. Architect-Engineer and Contractor Procurements

Our audit of construction procurements included tests of thirty-seven projects from which we reviewed fourteen selections of architect-engineer firms and thirty-eight procurements of contractors. For these selections and procurements, we tested not only the original selections, but also all change orders and contract modifications during the audit period.



We found that all initial procurements tested had been done in accordance with the Procurement Code and the Manual for Planning and Execution of Permanent Improvements. We found that all documentation and files were available and well kept. We found that change orders and contract modifications were handled properly with the exception of the following two permanent improvement projects: H51-8316, Hospital Renovations-Phase IX, and H51-9060, Student Wellness Center.

1) H51-8316, Hospital Renovations - Phase IX

During the five year progression of this project, it has been fraught with problems. Staff changes, technology changes and other influences resulted in fifty-two change orders to the contract. Changes, time delays, scheduling problems and revisions to plans and specifications resulted in a \$1.8 million settlement with the general contractor and the hiring of a second contractor to complete the project.

While we found that this initial procurement was handled correctly, we found that seventeen change orders totalling \$4,899,822 were authorized by MUSC without the approval of the State Engineer's Office. See Attachment 3.

We believe these exceptions occurred because of the numerous problems that shadowed this project as well as multiple officials of MUSC authorizing contractor change orders before Physical Plant officials knew of them. The situation of multiple officials created an environment impossible for Physical Plant officials to control and led to these change orders being unauthorized.

2) H51-9060, Student Wellness Center

While the problems with change order approvals were not as bad for this permanent improvement project as the project named above, five change orders were authorized before they were approved by the State Engineer's Office:

<u>Date</u>	<u>Application for Payment#</u>	<u>c/o's Included</u>	<u>c/o Amount</u>	<u>% Complete</u>	<u>Date OSE Approved</u>
09/17/91	15	1	\$ 51,500	25%	11/18/91
		2	43,944	100%	11/18/91

NOTE: A/P #17 dated 11/17/91 showed both of these change orders 100% complete.

12/15/91	18	6	\$149,000	64%	02/10/91
		7	88,754	64%	02/10/91
		8	84,100	34%	02/10/91

NOTE: A/P #19 dated 1/15/92 showed change orders 6 and 7 100% complete and 8, 65% complete.

In order to control contractor activities and ensure this does not recur, we recommend that all change orders be handled through the Physical Plant. If changes are needed during construction, they should be directed through that one location. For these specific unauthorized change orders, MUSC must request ratification in accordance with Regulation 19-445.2015 of the Code.

UNIVERSITY RESPONSE

The Medical University will inform and instruct employees on proper procedures to follow for change orders handled through Physical Plant. If changes are required during construction, they will be directed through this location. Ratification has been requested in accordance with Regulation 19.445-2015 of the Code for the specific unauthorized change orders.

## B. Physical Plant Purchasing Office

The Purchasing Office maintains a satellite office at the Physical Plant devoted to the purchase of goods and services dedicated for facilities repair, maintenance and operation. We tested 135 procurements made by this office during the period 7/1/92 - 5/31/93. Generally, we found that these procurements were in accordance with the Code. However, we did note the following exceptions:

	<u>Date</u>	<u>PO#</u>	<u>Amount</u>	<u>Description</u>
1.	09/04/92	PO879190	\$ 550.00	Maintenance bench
2.	09/25/92	RQ37351	557.20	Switchboard matting
3.	06/30/92	FA878947	1,349.00	Refrigerant recovery machine
4.	08/04/92	FA840610	24,120.00	Refrigerant recovery machine

For items 1-3, the files did not contain any evidence of solicitations for competition. For item 4, MUSC solicited bids from six instead of the required ten vendors.

We recommend that the competition requirements of the Code be met and documented in all cases.

## UNIVERSITY RESPONSE

All procurement officers at the Medical University have been reinstructed to follow proper procedures pertaining to the competition requirements of the Code.

---

## V. Compliance - General

### A. Multi-Term Determinations Not Prepared

The Purchasing Department failed to prepare multi-term determinations to support a multiple year contract for medical equipment totalling \$51,833.58 (Reference IFB# 3098-07/15/92-6219-I).



Regulation 19-445.2135.D states in part, a multi-term contract may be used when it is determined in writing that it is in the best interest of the State.

Since the required determinations were not prepared, extension options should not be exercised. The Purchasing Department should prepare these determinations to support future multi-term solicitations.

#### UNIVERSITY RESPONSE

Direction, again, will be provided to all procurement officers of proper procedures to follow to support future multi-term solicitations.

---

#### B. Bid Not Awarded as Specified

Bid #2531-01/16/91-5913-I was solicited for a variety of wheelchairs. These included pediatric reclining, hemi height, narrow adults, standard adult and XXTRA duty wheelchairs. All bidders bid the same brand, with one bidder receiving the award for the entire quantity, a total of \$26,166.00. However, item 8 of the Special Provisions section read, "award will be made by individual items and may be made to one or more bidders."

In the future, we recommend that the bids be award as specified and to the advantage of the State.

#### UNIVERSITY RESPONSE

The procurement officer awarded the bid incorrectly and did not follow a specific provision of the solicitation. The procurement officer has been counseled related to this matter. In the future, the Medical University will award bids as specified in the solicitation, and to the advantage of the State.

---

## CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Medical University of South Carolina in compliance with the South Carolina Consolidated Procurement Code.

MUSC should take action by September 1, 1993 to eliminate the problem areas noted herein. We will perform a follow-up review in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken.

Based on the follow-up review, and subject to this corrective action, we will recommend that the Medical University of South Carolina be recertified for a period of three (3) years at the following limits:

<u>Procurement Area/Commodity Class</u>	<u>Amount Per Commitment/Contract</u>
Chemical/Reagents, Injectables, Prescription Drugs, Intravenous Solutions and Sets and all other Commodities Defined in the Materials Management Office (MMO) Commodity Code Manual under #115-Biochemical Research and #270-Drugs, Pharmaceuticals, Biologicals-Human Use, Initially Approved by MUSC's Products Evaluation Committee	*\$6,000,000 per commitment
Medical Supply Items and all other commodities in the MMO Commodity Code Manual under #475-Hospital Sundries, including Linens, Gas Cylinders and Liquid Oxygen for Patient Use, Initially Approved by MUSC's Products Evaluation Committee	*\$3,000,000 per commitment

Hospital, Laboratory and Research Equipment

\*\$ 100,000 per commitment

All other Goods and Services

\*\$ 50,000 per commitment

Consultants

\*\$ 25,000 per commitment

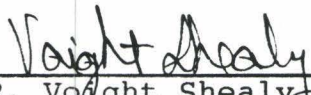
Construction Services

\*\$ 100,000 per commitment

Information Technology in accordance with the approved Information Technology Plan

\*\$ 50,000 per commitment

\*Total potential commitment whether single year or multi-term contracts are used.

  
\_\_\_\_\_  
R. Voight Shealy, CFE, Manager  
Audit and Certification



STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
 DIVISION OF GENERAL SERVICES



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JAMES J. PORTH, JR.  
ASSISTANT DIVISION DIRECTOR

April 30, 1992

Mr. Edwin P. Antoniak, Jr.  
Director of Procurement  
Medical University of South Carolina  
171 Ashley Avenue  
Charleston, South Carolina 29425

Dear Ed:

On April 6-9, we conducted a four-day interim review of the Medical University of South Carolina's sole source, emergency and trade-in sale procurements. We tested all sole source procurements and trade-in sales for January 1, 1991 through June 30, 1991 and all emergency procurements for April 1, 1991 through June 30, 1991.

Our findings are as follows:

(1) Unauthorized Procurements

The following sole source procurements were unauthorized.

<u>PO Date</u>	<u>PO Number</u>	<u>Amount</u>	<u>Service Date</u>
01/07/91	MJ913020	\$8,510.00	10/14/90 - 10/13/91
03/25/91	PO825450	1,490.00	-

MJ913020 was not prepared until two months after the service had begun. On PO825450 for a data acquisition system, the purchase order and sole source determination were not signed by the University's designated sole source authority. Therefore, both procurements were unauthorized and must be submitted for ratification in accordance with Regulation 19-445.2015.

(2) Inappropriate Sole Source

The University sole sourced trailer rentals on PO805909 in the amount of \$23,400.00. The sole source was based on an emergency procurement which originally leased the trailers after Hurricane Hugo. The justification stated that any savings obtained through bidding would be negated by the cost of removal and installation. In our opinion, this situation does not continue to justify a sole source. Therefore, we recommend that the University bid this rental once the current lease expires.

(3) Supply Warehouse Blanket Orders

The University sets up blanket orders at the supply warehouse for stated amounts. However, the releases may exceed these amounts without change orders being issued. For example, in the two quarters we reviewed, the University had \$172,829.47 in releases against MO910100 established for \$40,000.00. We have discussed this situation with you and agreed that the amounts on blanket orders will be per release with no set limits for the entire period.

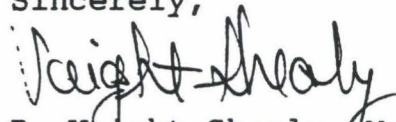
(4) Reporting Errors

We noted several reporting errors during our review. The following amendments must be made.

<u>Reporting Period</u>	<u>Add or Delete</u>	<u>Document Number</u>	<u>Amount</u>	<u>Reason</u>
01/01/91-03/31/91	Delete	LF910298	\$ 1,896.00	Exempt funds
01/01/91-03/31/91	Delete	PO853524	260.00	Less than \$500
01/01/91-03/31/91	Delete	PO868360	125,000.00	Cost bid in original solicitation
04/01/91-06/30/91	Add	MC923032	745.00	Item 2 was not reported
04/01/91-06/30/91	Add	MC923016	13,537.48	Item 2 was not reported
04/01/91-06/30/91	Add	MD923065	9,062.50	Item 2 was not reported
04/01/91-06/30/91	Add	SC923034	4,839.00	Item 2 was not reported
04/01/91-06/30/91	Delete	PO869242	150.00	Less than \$500
04/01/91-06/30/91	Delete	MD930000	490.75	Less than \$500
04/01/91-06/30/91	Add	MF923035	7,344.00	Item 3 & 4 were not reported

Please contact me if you would like to discuss these items. Otherwise, please reply to the items listed above. Your response will be included in our next audit report.

Sincerely,



R. Voight Shealy, Manager  
Audit and Certification

RVS/jjm

C Melissa Thurstin



DIVISION OF FINANCE  
(803) 792-4131

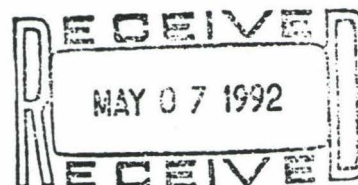
Controller 792-4131  
Procurement 792-4521



MEDICAL UNIVERSITY OF SOUTH CAROLINA  
171 Ashley Avenue  
Charleston, South Carolina 29425-1040

May 5, 1992

Mr. R. Voight Shealy, Manager  
Audit and Certification  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201



Dear Voight:

Listed below are the corrective actions based on the findings of the interim review conducted on April 6-9. This interim review tested all sole source procurements and trade-in sales for January 1, 1991, through June 30, 1991, and all emergency procurements for April 1, 1991, through June 30, 1991.

(1) Unauthorized Procurements

MJ913020 Ratification has been requested for the time period of the unauthorized purchase (10/14/90 - 1/7/91). The ratification documents can be found with the fourth quarter FY92 documents.

P0825450 Ratification has been requested, and can be found with the fourth quarter FY92 documents.

(2) Inappropriate Sole Source

P0805909 This procurement will be obtained through the bidding process once the current lease expires.

(3) Supply Warehouse Blanket Orders

The recommendations discussed during the interim review have been implemented. The amounts on blanket orders will be per release with no set limits for the entire period. Also, sole source items will be added as appropriate and required.

(4) Reporting Errors

All amendments have been made. Copies enclosed.

Thank you for scheduling these interim reviews. This procedure affords the Medical University better control over sole source, emergency and trade-in purchases.

Looking forward to your next visit.

Sincerely,



Edwin P. Antoniak, Jr., CPPO  
Director of Procurement

EPA/s

enclosures

MUSC  
H51-8316 Hospital Renovation-Phase IX (North Tower)  
Review of Change Order Approval Dates (OSE) to Applications for Payment  
1/1/91 - 3/31/93

<u>Application for Payment#</u>	<u>Period to Date</u>	<u>Change Order Number</u>	<u>Amount</u>	<u>% (A) Complete</u>	<u>\$Applied For</u>	<u>OSE c/o Approval Date</u>	<u>c/o Not Approved in Advance by OSE</u>
31	02/20/91	16	\$ 85,882	100%	\$ 85,882	03/18/91	\$ 85,882
		17	124,253	100%	124,253	03/18/91	124,253
		18	15,772	100%	15,772	03/18/91	-
32	02/25/91	19	88,344		78,344	03/18/91	88,344
		20	195,812		180,812	03/18/91	195,812
33	03/31/91	21	98,706		92,706	04/19/91	98,706
		22	489,575		95,345	04/19/91	489,575
		23	359,227		92,350	04/19/91	359,227
		24	135,271		-0-	04/19/91	135,271
34	04/30/91	21	98,706	96%	2,343	04/19/91	-
		22	489,575	39%	94,987	04/19/91	-
		23	359,227	44%	63,998	04/19/91	-
		24	135,271	0%	-0-	04/19/91	-
		25	35,152	35%	12,221	04/29/91	-
35	05/31/91	22	489,575	53%	68,777	04/19/91	-
		23	359,227	69%	89,771	04/19/91	-
		24	135,271	0%	-0-	04/19/91	-
		25	35,152	100%	22,931	04/29/91	-
		26	126,424		69,998	06/11/91	126,424



MUSC  
H51-8316 Hospital Renovation-Phase IX (North Tower)  
Review of Change Order Approval Dates (OSE) to Applications for Payment  
1/1/91 - 3/31/93

<u>Application for Payment#</u>	<u>Period to Date</u>	<u>Change Order Number</u>	<u>Amount</u>	<u>% (A) Complete</u>	<u>(B) \$Applied For</u>	<u>OSE c/o Approval Date</u>	<u>c/o Not Approved in Advance by OSE</u>
36	06/30/91	22	489,575	80%	133,339	04/19/91	-
		23	359,227	80%	41,220	04/19/91	-
		24	135,271	18%	25,000	04/19/91	-
		25	35,152	29%	< 24,941 >	04/29/91	
		26	126,424	63%	10,211	06/11/91	-
		27	263,505	61%	159,948	07/26/91	263,505
37	07/31/91	28	63,164		9,887	08/05/91	63,164
		29	-0-		-0-		-
38	08/31/91	29	305,015		252,998	09/17/91	305,015
39	09/30/91	30	201,823	39%	77,867	11/27/91	201,823
40	10/31/91	30	201,823	100%	201,823	11/27/91	-
41	11/30/91	No	New Change Orders				
42	12/31/91	31	1,800,000	-	1,800,000	01/17/92	-
43	01/31/92	32	161,126	100%	161,126	01/17/92	-
		33	225,613	89%	200,000	03/02/92	-
		34	110,372	100%	110,372	01/17/92	-
44	02/29/92	35	233,660	100%	233,660	04/03/92	233,660
		36	149,075	100%	149,075	04/03/92	149,075
		37	203,762	96%	195,762	04/03/92	203,762

MUSC  
H51-8316 Hospital Renovation-Phase IX (North Tower)  
Review of Change Order Approval Dates (OSE) to Applications for Payment  
1/1/91 - 3/31/93

<u>Application for Payment#</u>	<u>Period to Date</u>	<u>Change Order Number</u>	<u>Amount</u>	<u>%(A) Complete</u>	<u>(B) \$Applied For</u>	<u>OSE c/o Approval Date</u>	<u>c/o Not Approved in Advance by OSE</u>
44A	03/20/92	None	New				
45	03/31/92	37	203,762	100%	8,000	04/03/92	-
46	04/30/92	38	60,092	100%	60,092	05/27/92	60,092
		39	175,552	100%	175,552	05/27/92	175,552
		40	73,782	88%	64,780	05/27/92	73,782
47	05/31/92	41	1,398,600		61,160	07/17/92	1,398,600
		42	103,670	0%	103,670	07/17/92	-
		43	151,219	100%	151,219	07/17/92	151,219
		44	116,510	100%	116,510	07/17/92	116,510
48	06/30/92	41	1,398,600	-	241,754	07/17/92	-
		42	103,670	29%	30,000	07/17/92	-
49	07/31/92	No New Change Orders					
50	08/31/92	45	116,900	53%	62,222	09/14/92	116,900
		46	279,686	78%	219,342	09/23/92	279,686
51	09/30/92	47	20,935	90%	18,807	09/23/92	-
52	10/31/92	48	73,497	100%	73,497	11/17/92	73,497

MUSC  
H51-8316 Hospital Renovation-Phase IX (North Tower)  
Review of Change Order Approval Dates (OSE) to Applications for Payment  
1/1/91 - 3/31/93

<u>Application for Payment#</u>	<u>Period to Date</u>	<u>Change Order Number</u>	<u>Amount</u>	<u>%(A) Complete</u>	<u>(B) \$Applied For</u>	<u>OSE c/o Approval Date</u>	<u>c/o Not Approved in Advance by OSE</u>
53	11/30/92	49	63,238	100%	63,238	11/30/92	-
54	12/31/92	50	185,683	87%	160,683	03/02/93	185,683
		51	165,190	100%	165,190	03/02/93	165,190
		52	134,683	100%	134,683	03/02/93	134,683
Totals							<u>\$4,899,822</u>

- (A) Per the contractor's application for payment  
 (B) This amount is total applied for without subtracting retainage  
 (C) Change order within agency certification. OSE approval not required in advance  
 (D) As certified by architect-engineer

NOTE: OSE = Office of the State Engineer



STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
DIVISION OF GENERAL SERVICES



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MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600

September 7, 1993

Mr. Hardy Merritt, Ph.D.  
Materials Management Officer  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Hardy:

We returned to the Medical University of South Carolina September 3, 1993, to determine its corrective action based on recommendations made in this report. Through that visit, our exit conference and correspondence from the University since our field work, we have confirmed that corrective action has been taken. Therefore, we recommend that the Budget and Control Board grant the Medical University of South Carolina the procurement certifications noted herein for a period of three years.

Sincerely,

A handwritten signature in cursive script that reads 'R. Voight Shealy'.

R. Voight Shealy, Manager  
Audit and Certification

RVS/jj

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